

County shortfall now at \$200 million

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ROCKVILLE — Montgomery County's fiscal year 2012 budget will likely fall short by \$200 million, the Council announced Monday, due greatly to the rising costs of employee salaries and benefits. According to an analysis from the county's Office of Legislative Oversight, 82 cents of every dollar of tax-supported spending goes toward paying county employees.

Council President Nancy Floreen (D-At large) and Vice President Valerie Ervin (D-Dist. 5) met with analysts from the legislative oversight office and members of the press at county council headquarters to discuss options to curtail the skyrocketing debt.

"The cost per employee has grown dramatically, and I think there is where we will be focusing on how we pare costs down," Floreen said.

According to the report, spending on health and retirement benefits for county employees has grown by 120 percent over the past 10 years. Pension costs per employee were increasing at more than twice the rate of costs for governments similar to the county's size. The retirement plans more closely resembled a 401(k) in the private sector, according to one analyst.

"Montgomery County, like many other governments, faces the extraordinary challenge of bringing projected revenues and spending into alignment," a county analyst said to Floreen, noting that the 2012 budget was set to increase by only .1 percent. "It can only be accomplished by raising more revenue or making reforms that bend the future cost curves downward."

Floreen pointed to the report's noting that public unions like those that represent teachers, firefighters and county employees had been able to maintain considerable benefits and pensions during a time when employees in the private sector are facing pay cuts. Schools make up nearly half of the county's \$4.27 billion budget and by the state-mandated Maintenance of Effort law, the county could be required to increase that budget by \$87.4 million in spending.

"This will set the stage for the bargaining that is going on now," Floreen said. "There's a lot at stake, so it's not going to be easy."

Ervin said she would be submitting a bill this week that would change county spending by first changing the way the county and public unions bargain. County law states that an arbitrator is brought in when the county and unions are unable to reach an agreement. The arbitrator takes into account a comparison of wages, public welfare and bargaining history among other factors before making a recommendation.

"This proposal states that the arbitrator must first evaluate and give the highest priority to the ability of the county to pay for an additional short-term and long-term expenditures," Ervin said.

Under Ervin's proposal the arbitrator would also take into consideration local limitations on tax increases.

Union leaders, state senators, school officials and county employees are invited to hear Ervin's proposal this week and will also receive a debriefing from the legislative oversight office analysts. According to Floreen, the move is part of an effort to get the budget talks underway now instead of delaying them to the spring.

The Office of Legislative Oversight will make a second report in December and compose some recommendations for long-term budget balancing.